

AR09

1976

**Cinnabar
Peak Mines
Ltd.**

ANNUAL REPORT

CINNABAR PEAK MINES LTD.

OFFICERS

R. Olekshy, President
J. Paron, Secretary-Treasurer
H.A. Smith, Vice-President
E. Lipsett, Managing Director

REGISTER OFFICES

Alberta — 1002 Chancery Hall, Edmonton
British Columbia — Suite 2260 Pacific Centre South
700 West Georgia Street, Vancouver

REGISTRAR AND TRANSFER AGENT

The Guaranty Trust Company of Canada
Edmonton — Vancouver

AUDITORS

Willetts, Macmahon & Co.
Edmonton, Alberta

BANKERS

Bank of British Columbia
Edmonton, Alberta

SOLICITOR

Purvis, Johnston, Purvis, Allford and Finlay
Edmonton, Alberta

DIRECTORS

EARL LIPSETT, Professional Geophysicist
Edmonton, Alberta

RUSSELL OLEKSHY, Senior Partner
Olekshy & Young
Edmonton, Alberta

JAMES PARON, General Manager
Industrial Machine Shop Ltd.
Edmonton, Alberta

HAROLD A. SMITH, President
Business Executive
Edmonton, Alberta

JULIUS BALSHINE
Business Executive
Vancouver, B.C.

President's Report

On behalf of the Board of Directors, I am pleased to submit the 8th Annual Report on your Company's activities and Financial Statement for the year ending February 28th, 1977.

As previously reported, your Company's Peace River Coal properties have been sufficiently explored to the extent that adequate reserves of high grade metallurgical coals have been established in one seam that will support mining operations in the order of one - two million tons per year for a minimum of 15 - 30 years. Other seams present have not been sufficiently evaluated to establish the magnitude of the probable recoverable reserves on the property.

The overall projected mining operations have resulted in extensive evaluations of the capital cost and investments required to develop this property to its full potential.

The major financing for this operation which is a part of the Cinnabar operating agreement has, therefore, been subject to intensive evaluation and negotiation with a number of major resource development companies, financial institutions and coal market representatives for the ongoing development of the project.

Since the property is readily accessible from Chetwynd and Hudson Hope, B.C., with a transportation and power grid already in existence throughout the area, projected costs for full development are considerably minimized and are estimated at 50 - 75 million dollars. This figure represents a very attractive and competitive level of investment in comparison to capital costs of equivalent sized operations projected elsewhere in British Columbia.

The Government of British Columbia Coal policy, recently announced, has been most encouraging in its support of coal operations in N.E. British Columbia and therefore its implied support of the development of the Peace River Coal Property. At present, special Government studies are underway to evaluate the massive developments projected for North Eastern British Columbia. These include transportation, port facilities, power, environmental, and related considerations. The Cinnabar property is, we believe, in a most favourable location to meet all the criteria for an economically viable development and to provide significant benefits to this area of the Province's economic and social development.

We are confident of the future potential of Cinnabar through its coal property holdings and the current interest expressed for the development of the property.

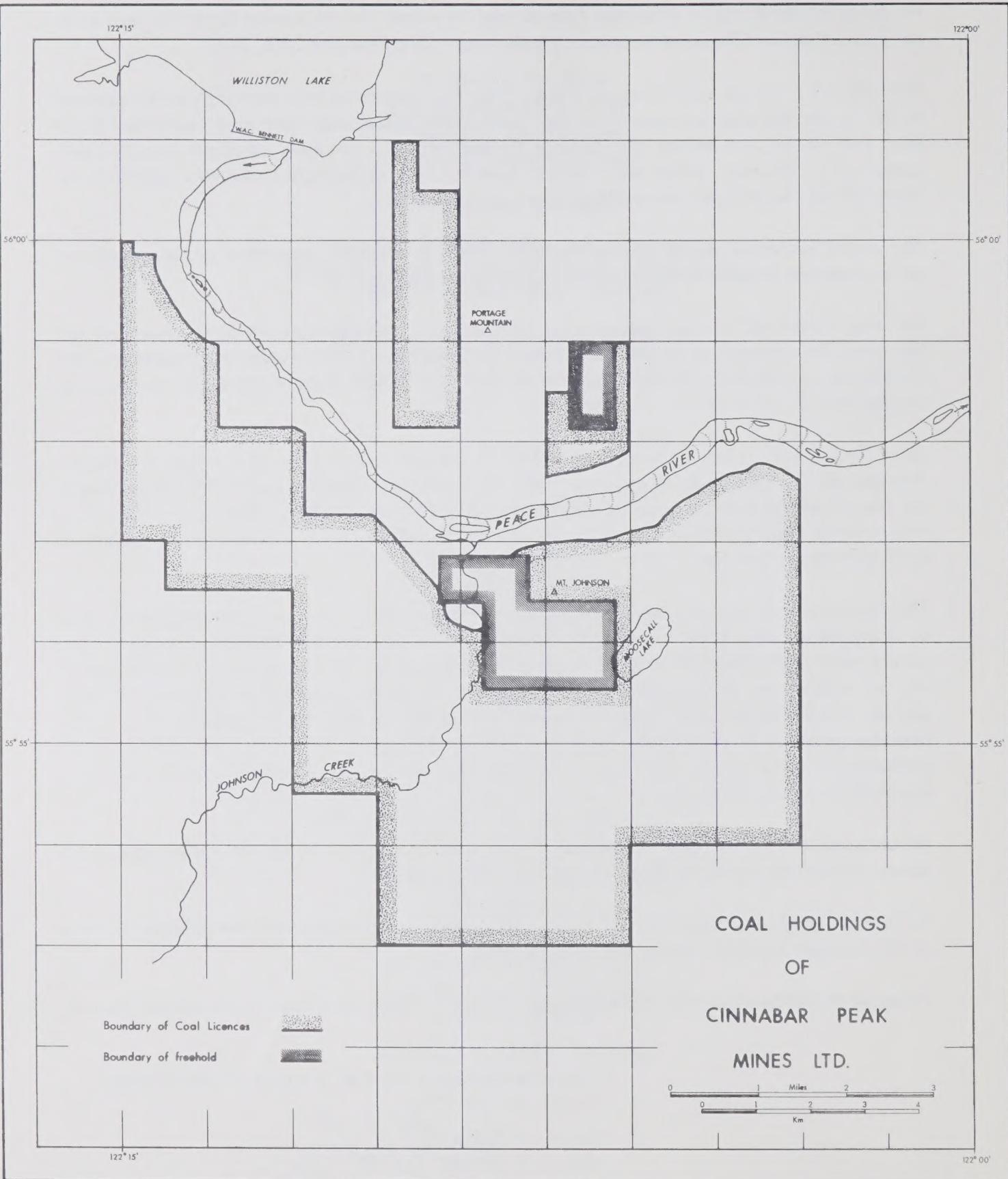
In the next company progress report to be issued to you in the near future, the date and location of the Company's annual meeting will be announced.

To our Shareholders we express our sincere appreciation for their continued confidence and support.

ON BEHALF OF THE BOARD OF DIRECTORS



Russell Olekshy, President



WILLETTS MACMAHON & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Cinnabar Peak Mines Ltd.

We have examined the balance sheet of Cinnabar Peak Mines Ltd. as at February 28, 1977 and the statements of deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at February 28, 1977 and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Willetts MacMahon & Company

Chartered Accountants

EDMONTON, Alberta
August 8, 1977

CINNABAR PEAK MINES LTD.

Balance Sheet

February 28, 1977

(with comparative figures for 1976)

ASSETS

	<u>1977</u>	<u>1976</u>
Current Assets		
Cash	\$ 40,656	\$ 66,464
Accounts receivable	<u>61,934</u>	<u>30,525</u>
Total current assets	102,590	96,989
Performance Bonds	13,593	3,270
Mineral Properties – Note 2	73,670	73,670
Deferred Exploration Costs	356,852	356,852
Deferred Administration Costs	128,263	84,172
Organization and Share Issue and Listing Costs	26,530	26,230

APPROVED ON BEHALF OF THE BOARD:

[Handwritten signature]

Director

S. Lyslett

Director

§ 701.408

§ 641.183

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1977</u>	<u>1976</u>
Current Liabilities		
Bank loans	\$ —	\$ 41,284
Accounts payable	<u>28,656</u>	<u>44,307</u>
Total current liabilities	<u>28,656</u>	<u>85,591</u>
Advance Royalty – Note 3	50,000	—
Shareholders' Equity		
Capital stock – Notes 5 and 6		
Authorized		
3,000,000 shares without nominal or par value		
Issued		
2,168,542 shares issued for cash and services	642,434	575,184
<u>750,000</u> shares issued for mineral property	<u>75,000</u>	<u>75,000</u>
2,918,542	717,434	650,184
Deficit	(94,592)	(94,592)
	622,842	555,592
	<u>\$ 701,498</u>	<u>\$ 641,183</u>

CINNABAR PEAK MINES LTD.

Statement Of Changes In Financial Position

For the year ended February 28, 1977
(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
Source of Funds		
Issue of shares	\$ 67,250	\$ 179,250
Advance royalty	<u>50,000</u>	<u>—</u>
	<hr/>	<hr/>
Total funds provided	117,250	179,250
	<hr/>	<hr/>
Application of Funds		
Increase in performance bonds	10,323	—
Write off of advance to subsidiary company	<u>—</u>	388
Organization and share issue costs	300	600
Exploration and administration costs	44,091	104,703
Acquisition of mining properties	<u>—</u>	<u>7,000</u>
	<hr/>	<hr/>
Total funds applied	54,714	112,691
	<hr/>	<hr/>
Increase in working capital	62,536	66,559
Working capital (deficiency), beginning of the year	<u>11,398</u>	<u>(55,161)</u>
Working capital, end of the year	\$ 73,934	\$ 11,398
	<hr/>	<hr/>
Working capital defined:		
Current assets	102,590	96,989
Current liabilities	<u>28,656</u>	<u>85,591</u>
	<hr/>	<hr/>
	\$ 73,934	\$ 11,398
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

CINNABAR PEAK MINES LTD.

Notes To Financial Statements

February 28, 1977

Note 1 – Accounting Policies

Exploration, administration and share issue costs

All costs relating to exploration, administration and share issue costs are capitalized until such time as the company or its operator commences production.

When mineral properties are surrendered, the accumulated costs on the surrendered properties are written off to deficit.

Advance royalties

Funds received or receivable from the operator as advances on future royalties will be deferred until such time as actual production commences.

Note 2 – Mineral Properties

Mineral properties consist of the following:

(i) Coal mining leases

1,600 acres of coal mining leases recorded at the amount paid under the option agreement to acquire the leases.

The option payments required under the agreement are \$7,000 annually.

The leases may be acquired by exercise of the option agreement by February 28, 1979, with an acquisition price of \$150,000 reduced by a portion of the option payments already paid under the agreement.

(ii) Coal mining licenses

38 coal licenses issued by laws of the Province of British Columbia recorded at the cost of staking and recording such licenses.

The properties are all located near Portage Mountain, in the Province of British Columbia.

CINNABAR PEAK MINES LTD.

Notes To Financial Statements

February 28, 1977

Note 3 — Operator's Working Option

By agreement, the company has appointed an operator to carry out certain exploratory, investigative and production work on the company's coal properties.

The operator has agreed to:

- (i) At his cost, to carry out exploratory work and prepare the properties for commercial production.
- (ii) To make all payments, royalties, taxes or other levies required to keep the properties in good standing for the company.
- (iii) To make all payments required to acquire the coal leases as set out in Note 2 above.
- (iv) To pay to the company royalties on all coal produced from the company's properties and specifically pay advance royalties in the amount of \$50,000 in each year that the agreement is in effect. These advance royalties can be applied against future royalties payable if such amounts exceed \$50,000 in any given year.

In consideration of the above covenants by the operator, the company has agreed to grant the operator the exclusive right to dig, excavate, remove and sell coal from the company's coal properties.

Note 4 — Remuneration to Directors and Senior Officers

The aggregate direct remuneration paid or payable by the company to directors and senior officers was \$31,500.

Note 5 — Capital Stock Options

- (a) The directors of the company had been granted options to acquire 50,000 shares of the company at 24¢ per share. These options were fully exercised during the year.
- (b) The directors of the company had been granted additional options to acquire 200,000 shares at 15¢ per share. During the year, the balance of these options were fully exercised.

CINNABAR PEAK MINES LTD.

Notes To Financial Statements

February 28, 1977

Note 6 – Share Capital Issued

During the year, the following number of shares were issued:

	<u>No. of Shares</u>	<u>Consideration</u>
Issued for services	64,442	\$ 29,000
Issued under options – Note 5	<u>225,000</u>	<u>38,250</u>
	289,442	\$ 67,250
	<u>=====</u>	<u>=====</u>

